



Alaska Deferred Compensation Plan

Investment Options

Historical Average Annual Total Rates of Return

For the Quarter Ending March 31, 2004

Current performance may be lower or higher than performance data shown. Past performance is not a guarantee or prediction of future investment results. **For performance between any two dates (i.e. the beginning and ending of a month) within the last 18 months, please visit the Web site at www.state.ak.us/drb.** The investment return and principal value of an investment will fluctuate so that, when redeemed, shares/units may be worth more or less than their original cost.

| Investment Option | Annual Investment Management & Custody Fees | Quarter 12/31/03 to 3/31/04 | As of 3/31/04 | | | |
|--------------------------------------------------------------|------------------------------------------------------|-----------------------------------|------------------|-------------------|-------------------|--------------------|
| | | | 1 Year Actual | 3 Years Actual | 5 Years Actual | 10 Years Actual |
| Brandes Instl International Equity Fund^{1,2} | 1.18% | 6.66% | 77.07% | 7.67% | 11.39% | n/a |
| MSCI EAFE Index | n/a | 4.33 | 57.51 | 3.43 | 0.52 | 4.55% |
| T. Rowe Price Small-Cap Stock Trust² | 0.71 | 4.89 | 48.99 | n/a | n/a | n/a |
| Russell 2000 Index | n/a | 6.26 | 63.83 | 10.90 | 9.66 | 10.44 |
| Citizens Core Growth Fund | 0.69 | -0.79 | 26.74 | -3.14 | -5.99 | n/a |
| S&P 500 Index | n/a | 1.69 | 35.12 | 0.63 | -1.20 | 11.68 |
| S&P 500 Stock Index Fund | 0.0285 | 1.68 | 35.07 | 0.63 | -1.23 | 11.65 |
| S&P 500 Index | n/a | 1.69 | 35.12 | 0.63 | -1.20 | 11.68 |
| Global Balanced Fund | 0.67 | 3.08 | 34.87 | 6.47 | 5.68 | n/a |
| Combined GBF Benchmark ³ | n/a | 2.90 | 28.72 | 5.67 | 4.00 | n/a |
| Tactical Asset Allocation Fund | 0.25 | 3.85 | 23.66 | 3.09 | 1.80 | 10.32 |
| Combined TAAF Benchmark ⁴ | n/a | 3.34 | 23.39 | 4.66 | 3.18 | 11.20 |
| Gov't/Credit Bond Fund | 0.08 | 3.06 | 6.06 | 7.93 | 7.54 | 7.60 |
| Lehman Bros. Gov't/Credit Index | n/a | 3.08 | 6.15 | 8.00 | 7.56 | 7.65 |
| Intermediate Bond Fund | 0.08 | 2.18 | 3.48 | 6.45 | 6.72 | 6.72 |
| Lehman Bros. Intermediate Bond Index | n/a | 2.21 | 3.58 | 6.46 | 6.70 | 6.75 |
| Interest Income Fund | 0.20 | 1.03 | 4.50 | 5.35 | 5.80 | 6.44 ⁵ |

Return information does **not** include the deduction of certain custody and administrative/recordkeeping fees. **The annual administration and recordkeeping fee will be determined by the State periodically. Please read page 4 under "Administration Expenses" for more detailed information. Footnotes shown on last page.**

- (1) Foreign investments involve special risks, including currency fluctuations, economic and political instability and differences in accounting standards.
- (2) Equity securities of companies with relatively small market capitalization may be more volatile than securities of larger, more established companies.
- (3) The benchmark used for comparison with the Global Balanced Fund is a combination of 35% S&P 500, 10% Russell 2000, 15% EAFE Net Dividends to U.S. Investors, 35% Salomon Broad Investment-Grade Bond Index and 5% Salomon Bros. Non-U.S. & World Government Bond Index.
- (4) The benchmark used for comparison with the Tactical Asset Allocation fund is a combination of 60% S&P 500 index and 40% Lehman Bros. 20+ Treasury Bond Index.
- (5) This figure represents the return for the Interest Income Fund since its inception of 3/1/94.

Alaska Deferred Compensation Plan

Investment Options at a Glance

For the Quarter Ending 3/31/04

Investment Option

(managed by)

Objective/Investment Make-up

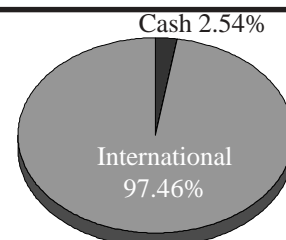
(management style)

Asset Allocation

Brandes Institutional International Equity Fund

(Brandes Investment Partners, L.P. is registered as an investment adviser under the Investment Advisers Act of 1940.)

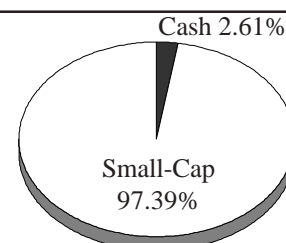
Seeks long-term capital appreciation. The Fund invests principally in common and preferred stocks of foreign companies and securities that are convertible into such common stocks. *Actively managed*¹



T. Rowe Price Small-Cap Stock Trust

(T. Rowe Price Associates, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)

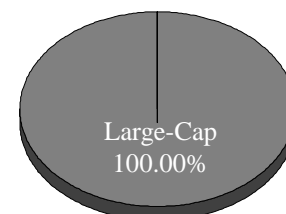
Seeks to provide long-term capital growth by investing primarily in stocks of small companies. The Fund invests at least 65% of its total assets in the stocks and equity-related securities of small companies. A small company is defined as having a market capitalization that falls within the range of companies in the Russell 2000 Index, a widely used benchmark for small-cap stock performance. *Actively managed*¹



Citizens Core Growth Fund

(Citizens Advisers, Inc. is registered as an investment adviser under the Investment Advisers Act of 1940.)

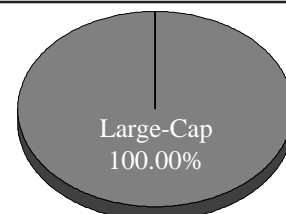
To achieve strong financial results and long-term capital appreciation while investing in companies managed in a socially responsible manner. The Fund takes a growth approach to investing. In practice, this means that the Fund looks for companies that display most or all of the following characteristics: leaders in their industries, long-term fundamental outlooks appears favorable, high quality of earnings, earnings momentum is positive, potential for increase in stock price, management team is strong. *Actively managed*¹



S&P 500 Index Fund

(Barclays Global Advisors, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)

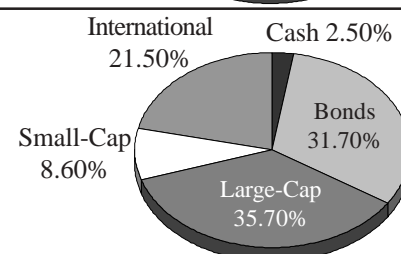
To capture long-term capital appreciation potential of larger capitalized companies by investing in all the companies represented in the S&P 500 Index. The Fund invests in common stocks represented in the S&P 500 Index. *Passively managed*²



Global Balanced Fund

(Capital Guardian Trust Company is a California state chartered bank authorized by the California Department of Financial Institutions to carry on a trust business.)

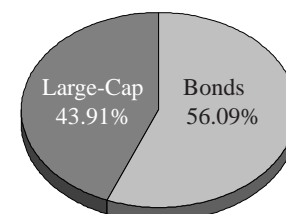
Seeks the balanced accomplishment of long-term growth of capital, current income and conservation of principal through investments in stocks and fixed-income securities. The Fund invests in stocks of large and small companies and corporate & government bonds based around the world. *Actively managed*¹



Tactical Asset Allocation Fund

(Barclays Global Advisors, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)

To achieve high total returns (capital appreciation plus income) over the long term without taking excessive risk. The fund shifts assets among stocks, bonds and cash. The Fund invests in other funds designed to track the S&P 500 Composite Stock Price Index and the Lehman Brothers 20+ Year Treasury Bond Index and in short-term high-quality money market instruments. *Actively managed*¹



Investment Option

(managed by)

Objective/Investment Make-Up

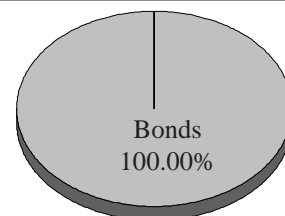
(management style)

Asset Allocation

Gov't/Credit Bond Fund

(Barclays Global Advisors, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)

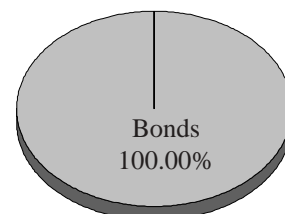
To provide high current income and some capital appreciation by investing in a diversified portfolio of high quality U.S. fixed income securities. The Fund invests in securities included in the Lehman Brothers Government/Credit Index. *Passively managed*²



Intermediate Bond Fund

(Barclays Global Advisors, NA is registered as an investment adviser under the Investment Advisers Act of 1940.)

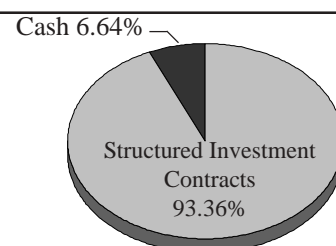
To provide high current income and some capital appreciation by investing in a portfolio of U.S. government fixed income securities. The Fund invests in securities included in the Lehman Brothers Intermediate Government Bond Index. *Passively managed*²



Interest Income Fund

(T. Rowe Price Stable Asset Management is registered as an investment adviser under the Investment Advisers Act of 1940.)

To provide a stable rate of return while preserving capital. The Fund invests in medium-term high grade corporate and government fixed income securities. *Actively managed*¹



- (1) An actively managed fund is one in which the fund manager buys, holds and sells a portfolio of stocks and/or bonds which are consistent with the fund's stated investment objective. Using a variety of methods, the active fund manager attempts to select funds that will outperform the market.
- (2) To be passively invested means to buy and hold a well-diversified portfolio of securities. Passive managers buy a portfolio of securities that comprise a market index while active managers select specific securities to attempt to outperform an index.

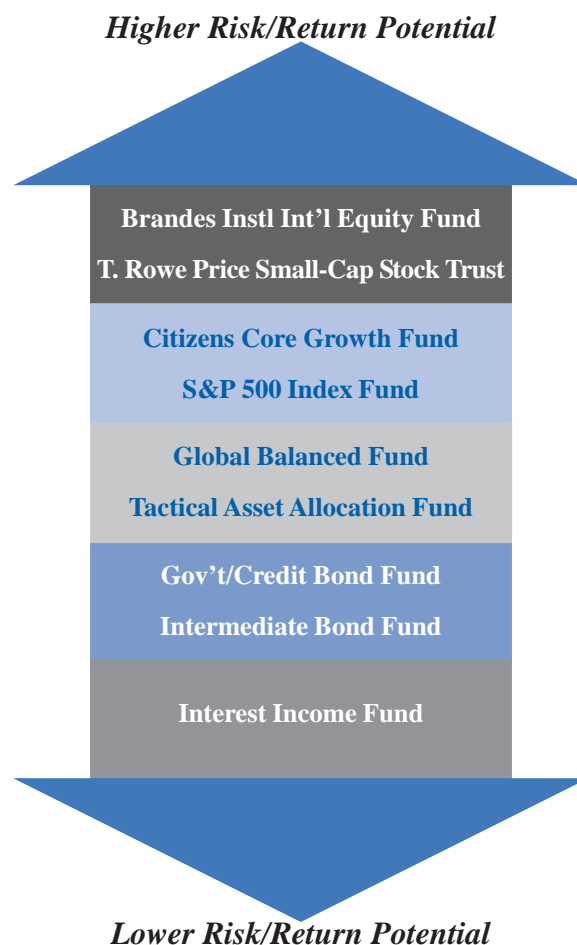
As a whole, the options available to you fall on the Risk Spectrum - low risk to high risk - as follows:

Potential Risk versus Potential Return

Generally, the greater an investment's potential return over time, the greater its level of short-term price volatility, or risk. When assessing risk, a short-term investment fund would typically appear on the very low end of the risk/return scale. A very aggressive growth fund might be depicted at the very high end of the scale. The chart to the right shows the relative position of each investment option on the risk/return scale.

Fund Information

Investors should consider the investment objectives, risk, fees and expenses carefully before investing. For more detailed information related to specific funds, please refer to a current prospectus (for the Brandes Inst International Equity Fund and the Citizens Core Growth Fund) and Investment Option Detail Sheets (for the remaining investment options). Prospectuses and Investment Option Detail Sheets can be obtained on the Division's Web site at www.state.ak.us/drbb, through a client service representative, or from the Division of Retirement & Benefits at 1-907-465-4460.



Alaska Deferred Compensation Plan

Please read this important information

KeyTalk® Contacts

If you are calling from a **touch-tone phone**, you have round-the-clock **automated access** to information and transactions **with your PIN** (or a client service representative between 6:00am and 5:30pm, Alaska time, Monday through Friday) by using the original KeyTalk® number:

1-800-701-8255

If you wish to speak to a client service representative between 3:00pm and 5:30pm, Alaska time, Monday through Friday, **and** you are calling from a touch-tone phone **without** a PIN **or** you are calling from a **rotary phone**, please use the following number:

1-800-232-0859

Important Note

If you call KeyTalk® to make changes to your account, **please** stay on the line until you hear your confirmation number. Write this number down and keep it on file for future reference. **If you hang up before you hear your confirmation number**, your transaction request **may or may not** (due to phone transmissions or computer delays) have been recorded for processing. Also, you will receive a written confirmation of your transaction in the mail. It is **important** for you to review this document for accuracy **as soon as you receive it**.

There are two major types of changes you can make to your account:

- 1) transferring your existing assets among funds and
- 2) changing how your **future** contributions are allocated.

Please make sure you have selected the transaction that accomplishes the changes you would like to make.

Internet Access

You now have access through the Internet to receive information about your account and to conduct investment option related action. **You must have a PIN number to access the information.**

- 1) Please go to the Division of Retirement & Benefits Web site, **www.state.ak.us/drb**
- 2) Select "Deferred Comp. Plan" on the left hand side of the page
- 3) At the Deferred Comp Plan home page, select "Account Information Online"

Transfers

If you place a transfer on a business day **at or before 12:00 noon Alaska Time**, you will receive that day's closing "sell" price per unit (Transfer-out \$'s) and that day's closing "purchase" price per unit (Transfer-in \$'s). This applies whether you place the transfer through KeyTalk®, a Client Service Representative, or the Division of Retirement and Benefits' Web site.

Your transfer must be completed at or before 12:00 noon Alaska time.

The transfer confirmation must take place at or before 12:00 noon. Transfers that are started at or before 12:00 noon Alaska time, but are **not completed** at or before 12:00 noon Alaska time, will be processed the **next** business day.

It can take up to five minutes, or more, to complete a transfer. Please do not try to time your transfer just before the deadline hoping that it will finish in a minute or two.

Phone delays, internet delays, and heavy volume can interfere with completing a transfer. Please take possible delays into account.

Administrative Expenses

Expenses are charged to your account in order to cover the cost of administration of the plan. There is one type of fee:

Monthly — 0.15% annual rate on assets

(0.0015 / 12 x month-end asset balance) — These charges will be assessed to your individual accounts against all investment options. The fee is calculated on the prior month's ending balance and is assessed in the first week of the month. The annual rate of 0.15% is effective on February 1, 2004. The prior annual rate of 0.17% applied for the period of February 1, 2003 to January 31, 2004. For example:

- * The fees calculated on your March 31st account balance will be assessed in April.
- * The fees calculated on your April 30th account balance will be assessed in May.
- * The fees calculated on your May 31st account balance will be assessed in June.

The March, April and May fees will be reflected on your June 30th statement.

Registration with the Securities and Exchange Commission is not required for the State of Alaska Deferred Compensation Plan.